

**Minutes of the Meeting of the
Air Transportation Stabilization Board
May 20, 2005**

The meeting of the Air Transportation Stabilization Board ("Board") was held in the offices of the Board of Governors of the Federal Reserve System at 20th Street and Constitution Avenue, Washington, D.C., on Friday, May 20, 2005.

The following people were present at the meeting:

Board

Edward M. Gramlich, Chairman of the Board, and Governor, Federal Reserve Board
Timothy Bitsberger, Voting Member of the Board, and Assistant Secretary for Financial Markets, Department of the Treasury
Jeffrey N. Shane, Voting Member of the Board, and Under Secretary for Policy, Department of Transportation

Board Staff

Mark R. Dayton, Executive Director
Jaydeep Borwankar, Financial Analyst

Federal Reserve Board

Dan Sichel, Assistant Director
Christopher W. Clubb, Senior Counsel

Department of the Treasury

Roger E. Kodat, Deputy Assistant Secretary for Government Financial Policy
Brad S. Lerner, Attorney
Brian Jackson, Chief Financial Officer, Federal Financing Bank
Lachlan Seward, Senior Advisor to the Fiscal Assistant Secretary

Department of Transportation

Terence W. Carlson, Attorney, Office of General Counsel
Regis Milan, Associate Director, Office of Aviation Analysis
Nancy Kessler, Attorney, Office of General Counsel

Department of Justice

Brendan Collins, Trial Attorney, Civil Division
Andrea Handel, Trial Attorney, Civil Division

Curtis, Mallet-Prevost, Colt & Mosle LLP

Dan Lenihan, Partner
Steve Reisman, Partner

Lazard Freres & Co., LLC

Harry Pinson, Managing Director

Doug Fordyce, Director
Eric Mendelsohn, Director
Ryan Hummer, Associate
David Kurtz, Managing Director (by phone)

GAO did not attend this meeting.

Governor Gramlich called the meeting to order at 10:17 a.m.

The Executive Director presented an update on Aloha Airlines' ("Aloha") bankruptcy and advised the Board that the deadline for objections to the repayment of the ATSB guaranteed loan had passed without any objections being raised. As a result, the repayment of the ATSB guaranteed loan to Aloha was final.

The Executive Director briefed the Board on ATA Airlines' ("ATA") bankruptcy including an update on the quarterly payments that ATA is required to pay to the ATSB under the existing cash collateral order to amortize the outstanding balance on the loan and to reimburse the ATSB and lenders for expenses related to ATA's bankruptcy.

The Executive Director briefed the Board on the proposed merger between America West Airlines ("AWA") and US Airways and the impact of the merger on the Board's loan guarantees to each carrier. This included a presentation by Lazard to the Board on due diligence of the proposed merger between US Airways and AWA, an update of the business plan for the merged entity, and the business plans for each carrier on a stand-alone basis.

Lazard discussed the underlying problems with past airline mergers and its initial analysis as to how the proposed merger might address such problems. The Chairman requested that staff and advisors prepare a memorandum outlining labor integration issues faced in prior mergers, the labor integration challenge facing AWA and US Airways, and the steps being taken to address these issues.

Mr. Lenihan presented staff and advisors' proposed revisions to the current terms of the guaranteed loans to both AWA and US Airways which are currently being negotiated with the carriers, and the impact of the proposed revisions to the Board's credit position.

The meeting was adjourned at 12:23 p.m.